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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA, FRESNO DIVISION

In re:
SHADY ACRES DAIRY,
Debtor-in-Possession.

Case No. 10-19058-A-11

Chapter 11

Date: June 8, 2011
Time: 1:30 p.m.
Place: United States Bankruptcy Court
2500 Tulare Street, Fifth Floor
Courtroom 11, Department A
Fresno, California
Judge: Honorable Whitney Rimel

DEBTOR'S SIXTH CHAPTER 11 STATUS CONFERENCE REPORT

TO DEBTOR, THE UNITED STATES TRUSTEE, SECURED CREDITORS, OFFICIAL
COMMITTEE OF UNSECURED CREDITORS, AND PARTIES REQUESTING SPECIAL
NOTICE:

SHADY ACRES DAIRY ("Debtor") hereby provides the following Chapter 11 Status
Conference Report:

A. Background of Debtor

1. Debtor filed a Voluntary Petition under Chapter 11 of the United States
Bankruptcy Code on August 9, 2010.

2. Debtor is a California partnership operating in Fresno County, California.
Debtor operates a dairy. Debtor milks about 2,900 cows, has total non-milking and young
stock of about 2400 and owns 1,200 acres farmland. Debtor is a member of and ships its milk

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1 to California Dairies, Inc. ("CDI"). Debtor grows grains on about 1,075 acres of farmland for
2 silage for its livestock.

3 3. Debtor's partners are Beverly Anker (20%), Beverly Anker, as Trustee of the
4 Bypass Trust Under the Will of Edward G. Anker, deceased (50%), Edward (10%), Christopher
5 (10%), and Joshua (10%). Debtor was formed in January 1999 and operated in Visalia,
6 California ("the Visalia Dairy").

7 4. Debtor purchased land in Helm, California and commenced construction of its
8 current dairy facility in 2001 ("the Helm Dairy"). The purchase of the land and construction of
9 the facility was all financed by Farm Credit West ("FCW"), which holds deeds of trust against
10 both the Helm Dairy and the Visalia Dairy. Debtor began milking at the Helm Dairy in 2003
11 with about 1,700 cows. Debtor filed for relief under Chapter 11 in order to give Debtor a
12 vehicle under which it could reorganize its debts and continue to operate its business.

13 **B. Debtor's Present Status**

14 5. Debtor has remained in possession of its property and has managed its affairs as
15 a debtor-in-possession since it filed for relief under Chapter 11.

16 **C. Debtor's Intent With Respect to Plan of Reorganization**

17 6. The Court entered an order approving Debtor's *Modified Disclosure Statement*
18 *Dated March 16, 2011* ("the Disclosure Statement") on March 17, 2011. Debtor served the
19 Disclosure Statement and *Modified Plan of Reorganization Dated March 23, 2011* ("Plan") on
20 interested parties for voting on March 23, 2011. The time for creditors to return their ballots
21 and file objections to the confirmation of the Plan was April 20, 2011. Penny Newman Grain
22 Co. and J.D. Heiskell Co. filed objections to confirmation of the Plan.

23 7. Farm Credit West indicated its intent to object to confirmation of the Plan to
24 Debtor. Farm Credit West and Debtor have been negotiating the terms of treatment of Farm
25 Credit West's claims under the Plan. Debtor agreed to extend the time for Farm Credit West to
26 object to the Plan to allow for continued negotiations. Debtor, Farm Credit West, Penny
27 Newman Grain, and J.D. Heiskell have signed two stipulations (a) extending the time for Farm
28 Credit West to object to the Plan and Debtor to file its documents in support of confirmation

1 and (b) continuing the hearing on confirmation to June 22, 2011, among other things (“the
2 Stipulations”).

3 8. Negotiations between Debtor and Farm Credit West have been time consuming
4 because of the complexity of the loan structure and new structure under the intended treatment
5 under the Plan. Additionally, as a part of the negotiations several financial reports have been
6 prepared and the value of Farm Credit West’s collateral has been evaluated by the parties.
7 Debtor and Farm Credit West continue to negotiate the treatment of Farm Credit West’s claim
8 under the Plan. The last day for Farm Credit West to object to the Plan is June 8, 2011.
9 However, Debtor and Farm Credit West have agreed to enter another Stipulation extending the
10 deadline for Farm Credit West to object to confirmation of the Plan to June 22, 2011 and
11 continue the Plan confirmation hearing to July 6, 2011, so that they can continue to negotiate
12 without concurrently preparing for a contested confirmation hearing that may not be necessary.
13 Debtor will file an ex parte application for approval of the contemplated stipulation between the
14 parties as soon as it is signed by the necessary parties.

15 9. The Plan of Reorganization provides for the continued operation of the dairy
16 business and the repayment of creditors over time.

17 **D. Other Matters Pursuant to Court Order Setting Status Conference:**

18 10. **Motions for Relief from Automatic Stay:** No Motions for Relief from Stay
19 have been filed in Debtor’s Chapter 11 case.

20 11. **Motions to under 11 USC Section 365(d)(3) and (4):** No motions under 11
21 USC Section 365(d)(3) or (4) have been filed. Additionally, Debtor is not the lessee of
22 nonresidential real property and will not file motions under Section 365(d)(3) or (4).

23 12. **Use of Cash Collateral:** Debtor filed a Motion to Use Cash Collateral and
24 Grant Adequate Protection on August 10, 2010. After receiving interim authorization for use
25 of cash collateral, Debtor, FCW, Penny Newman Grain Co., and Penny-Newman Milling, LLC
26 agreed to use of cash collateral through several stipulations and orders through August 31,
27 2011.
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1 13. **Employment of Professionals:** The Court authorized the employment of Klein,
2 DeNatale, Goldner, Cooper, Rosenlieb & Kimball as attorneys for Debtor on August 30, 2010.
3 The Court authorized the employment of Moore Stephens Wurth Frazer and Torbet, LLP as the
4 accounts for Debtor on January 8, 2011.

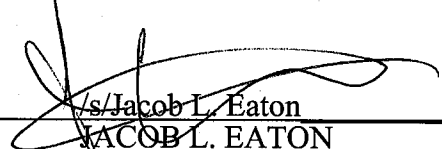
5 14. **Motions to Dismiss or Convert:** There are no pending motions to dismiss or
6 convert Debtor's Chapter 11 case, nor are there pending any motions to appoint a Chapter 11
7 trustee. Debtor does not believe that grounds exist for any such Motion.

8 15. **Administrative Matters:** Debtor has complied with all of the requirements for
9 a Debtor in Possession, including monthly reports since the filing of the Chapter 11 petition,
10 establishing Debtor-in-Possession bank accounts, and maintaining insurance. Debtor has paid
11 the fees due to the United States Trustee.

12 16. Debtor requests that the Status Conference set for June 8, 2011 be continued to
13 July 6, 2011 if the Court approves the proposed stipulation and continues the hearing on
14 Confirmation of the Plan to July 6, 2011.

15 Date: June 3, 2011

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18 By:  /s/Jacob L. Eaton
19 JACOB L. EATON
20 Attorneys for Debtor
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